

Memorandum

To : The Conservancy
The Advisory Committee

Date : August 30, 2004

From : 
Joseph T. Edmiston, FAICP, Executive Director

Subject: **Agenda Item No. 12: Consideration of resolution adopting the Mountains Recreation and Conservation Authority revised cost allocation methodology.**

Staff Recommendation: That the Conservancy adopt the Mountains Recreation and Conservation Authority revised cost allocation methodology.

Legislative Authority: Section 33211(c) of the Public Resources Code.

Background: Pursuant to Section 2 of the Santa Monica Mountains Conservancy (Conservancy) Budget Control Language of 2004, the Conservancy is required to submit a revised cost allocation methodology to the Department of Finance no later than September 1, 2004 that shall be applied to grants made from the Conservancy to the Mountains Recreation and Conservation Authority (MRCA):

The Santa Monica Mountains Conservancy shall submit a revised cost allocation methodology to the Department of Finance no later than September 1, 2004, that shall be applied to grants made from this appropriation. The Department of Finance shall review this revised methodology for its reasonableness. The Department of Finance may either recommend approval of the revised methodology as presented or recommend modifications to the methodology. In either case, the Director of Finance shall provide notification of the department's recommendation in writing to the Chairperson of the Joint Legislative Budget Committee. The Chairperson of the Joint Legislative Budget Committee shall either approve or reject the recommendation within 30 days of the date of notification. If the chairperson does not approve or reject the department's recommendation within 30 days, the department's recommendation will be deemed approved.

In 2000, the Conservancy adopted the MRCA's cost allocation plan which provided for an administrative overhead rate that was based upon all costs incurred. The original plan used a percentage rate of 8.99% that was applied to all expenses. This methodology has been

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challenged as excessive, and, as a result, the MRCA has retained the services of Macias, Gini and Company to develop and implement a revised cost allocation methodology.

The revised cost allocation methodology uses a percentage applied only to personnel rather than all expenses. The new rate of 105% allows for all administrative, indirect and fringe benefit costs to be recouped with personnel expenses as the base.

Please refer to the Cost Allocation Plan attached as Exhibit A.